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SUBJECT: GREENLAND VOTES ON GREATER AUTONOMY

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11. (SBU) This cable contains sensitive but unclassified and proprietary business information.

12. (SBU) Summary: In a November 25 referendum, Greenlanders are expected to approve "self rule," another step toward eventual independence from Denmark. Under the Self Rule Act agreed upon last summer by a joint Danish-Greenlandic Commission, Greenland's Home Rule Government will get expanded powers. Most important, Denmark cedes authority over the administration of justice and home affairs and splits revenues from Greenland's natural resources with the government in Nuuk. Foreign affairs will remain largely in Danish hands, though with some concessions to Greenland. Under self rule, the Greenland Home Rule government retains its Prime Minister and 31-member parliament, whom we assess will continue to value Greenland's close and growing relationship with the United States. End Summary.

13. (SBU) Self rule is widely viewed in Greenland and Denmark as the penultimate step to Greenlandic independence, but the road to independence is far from smooth, straight, or short. In Greenland, political aspirations for sovereignty are weighed down by the economic reality of precarious finances and dramatically different levels of development, both compared to Denmark and within Greenland itself. The Self Rule Act implicitly recognizes this, in that it grants Greenland the ability to take on new authorities like the administration of justice and home affairs, but does not require Greenland to do so until Greenland is able to finance these new responsibilities. Greenland's economy is a struggling enterprise, still largely dependent on fishing and Denmark's generous annual block grant subsidy, which constitutes nearly half of the Greenlandic government's revenues.

14. (SBU) The Self Rule Act provides economic risks and rewards to Greenland. Under self rule, the Danes will freeze Greenland's annual block grant at the 2007 level of 3.2 billion kroner (about 500 million dollars), and it will no longer be renegotiated every three years, as has been the case until now. Instead, the annual subsidy will be indexed to Danish inflation. Since Danish prices have in recent years risen more slowly than those in Greenland, the value of the block grant is thus, in real terms, expected to shrink in the years ahead. On the other hand, Greenland gains clear rights to its underground and potential riches from minerals, oil, and natural gas. The Self Rule Act grants the first 75 million kroner (\$12.7 million) from mineral/oil/gas resource revenues to Greenland outright, with further revenues split equally between the two governments with Denmark's share subtracted from the annual block grant. Once the Danish block grant is eliminated, any additional revenue would be subject to additional negotiation between Greenland and Denmark. New responsibilities under self rule could cost Greenland as much as 300 million kroner (\$50 million) per

year, with the largest expenditures required to fund an independent judiciary and law enforcement and correctional systems.

¶15. (SBU) Although the Self Rule Act provides for the first time a mechanism for independence, such a decision is dependent on development of a sustainable economy. Much depends on the extent of Greenland's actual natural resource base and the speed with which it can be developed. A 2007 US Geological Survey study estimated significant probabilities of oil and gas reserves of approximately 31.4 billion barrels off Greenland's eastern coast. If realized, these reserves could make the region the 19th largest hydrocarbon reserve in the world, on par with Alaska's North Slope. Greenland's western waters could also yield additional billions. Initial licenses for oil and gas exploration off the western coast were granted earlier this year to a four-company international consortium that included American companies Chevron and Exxon-Mobil. Additional exploration and exploitation licenses have since been granted to Canada's Husk Energy and Cairn Energy and Sweden's PA Resources. And, in addition to oil and gas, Greenland has to-date issued sixty-eight mining licenses for minerals as diverse as gold, diamonds, coal, zinc and olivine. Some of these mining projects are underway, others have now stalled as companies take the temperature of the international financial crisis. Greenland is also counting on another natural resource, hydropower, as a possible source of riches. The American aluminum giant Alcoa is currently working with Greenland's government on a USD three billion aluminum smelter and associated hydroelectric facility. Greenland's economic potential is thus potentially enormous, but still very uncertain.

¶16. (SBU) Another less talked-about but also significant impediment to Greenland's self rule, and eventual independence, lies in its own democratic development. While some polls note the November 25 self rule referendum may garner the approval of as much as 75 percent of the electorate, many Greenlanders wonder whether their political leaders and institutions are ready for increased autonomy. The debate on the referendum has opened up surprising divisions in society, with young Greenlanders in particular showing markedly less enthusiasm for self rule. Other critics point to the failures of the government to deal with severe and growing social problems, and ask whether expanded authorities offered under self rule can fix them. Many Greenlandic towns and villages are marked by poor educational systems with high drop-out rates, rampant alcoholism, and a chronic lack of economic and social opportunities. Some voters worry that the Self-Rule Act will make Greenland too reliant on mineral extraction. They wonder whether, with such a small population base (57,000), Greenland can ever develop the economic scale and social cohesion to sustain itself as an independent state, even if natural resource revenues do materialize. Still, nationalist sentiment runs strong in Greenland, and the prospect of additional sovereignty, formal legal recognition as a people, the elevation of the Greenlandic language to official status, and even the exercise of some foreign affairs authorities (for those areas where Greenland already exercises domestic authority), appear to have successfully swung a clear majority for the November 25 vote.

¶17. (SBU) Comment: While it is not yet clear if and how self-rule will impact the day-to-day lives of Greenlanders, the U.S. can be sure that Greenland will still value its growing and ever-closer relationship with us. U.S. interests in Greenland are significant: our upgrade to the early warning radar at Thule Air Base will ensure that our northernmost military facility remains a vital component of U.S. missile defense architecture. Trade and investment ties are also expanding. Our Joint Committee process, launched with the 2004 Igaliku agreements, has broadened non-defense cooperation with Greenland to include increased scientific collaboration, additional educational and cultural exchanges, and growth in tourism. Sustaining those successes, and taking advantage of new opportunities, requires continued

strong U.S. engagement in Greenland. Our 2007 proposal (reftel) for a seasonal American Presence Post in Nuuk could be an important platform to develop this relationship further as Greenland moves deliberately toward eventual independence.

CAIN